

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING – DIVISION OF FINANCIAL ASSISTANCE
JULY 7, 2020**

ITEM 6

SUBJECT

CONSIDERATION FOR ADOPTION OF THE FISCAL YEAR (FY) 2020-21 FUND EXPENDITURE PLAN FOR THE SAFE AND AFFORDABLE DRINKING WATER FUND.

DISCUSSION

The Safe and Affordable Drinking Water Fund (Fund) was established through Senate Bill 200 (SB200) in July 2019. The Fund will provide up to \$130 million per year that will be used to develop and implement solutions for water systems that are not sustainable or have violations of drinking water standards.

Expenditures from the Fund will complement other funding sources as part of the broader Safe and Affordable Funding for Equity and Resilience (SAFER) Drinking Water Program (Program), which includes general obligation bond funds and funding available through annual Drinking Water State Revolving Fund capitalization grants. The SAFER Program also encompasses regulatory efforts to protect drinking water; community engagement to identify needs and solutions; data collection and assessment to promote sound decision making; and information management to provide transparency and accountability. The SAFER Program's goal is to provide safe drinking water in every California community, for every Californian.

The State Water Board adopted the Policy for Developing the Fund Expenditure Plan (Policy) for the Fund on May 5, 2020, which established the State Water Board's direction on how each fiscal year's Fund Expenditure Plan (Plan) is to be developed. Starting July 1, 2020, any expenditures from the Safe and Affordable Drinking Water Fund must be consistent with that fiscal year's Plan. The purposes of the Plan are to: (1) identify public water systems, community water systems, state small water systems, and regions where domestic wells consistently fail or are at risk of failing to provide adequate safe drinking water, the causes of failure, and appropriate remedies; (2) determine the amounts and sources of funding needed to provide safe drinking water or eliminate the risk of failure to provide safe drinking water; and (3) identify gaps in supplying safe drinking water, and determine the amounts and sources of funding to eliminate those gaps.

Starting in FY 2021-22, the Plan will be developed based on a drinking water needs assessment; the first of which will be completed in Spring 2021. Since the drinking water needs assessment has not been completed, the FY 2020-21 Plan is based on readily available information, including knowledge of Division of Drinking Water, local primacy agencies, and Division of Financial Assistance (DFA) staff on the status of out of compliance systems; funding applications submitted by water systems; preliminary mapping of aquifers at risk of contamination; and input from the Advisory Group established to advise the State Water Board on the Plan. Staff also consulted with the Department of Finance in the development of the Draft FY 2020-21 Plan.

The Draft FY 2020-21 Plan describes proposed funding targets for different water system types (Out of Compliance Systems; At-Risk Systems; and State Smalls/Domestic Wells) and for different types of solutions (Interim Replacement Water; Technical Assistance; Planning; Construction; and Direct Operations and Maintenance Support). Staff costs are described, along with a proposed funding target for Pilot Projects. The Draft FY 2020-21 Plan also describes overall program priorities, as well as how different solutions will be prioritized.

The Draft Plan was released for public comment on May 28, 2020. The scope of the Plan and content of the Draft Plan were discussed at the Advisory Group meetings held on February 19, 2020, April 30, 2020, and June 12, 2020. A Board Workshop was held on May 5, 2020, where staff discussed ideas for the Draft Plan and received preliminary comments. Public comments on the Draft Plan were due on June 16, 2020.

POLICY ISSUE

Should the State Water Board adopt the FY 2020-21 Fund Expenditure Plan?

Should the State Water Board authorize the Deputy Director of DFA to update and amend the Appendices to the Plan, as necessary for administrative or procedural changes not in conflict with the Plan or the Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund?

Should the State Water Board authorize the Deputy Director of DFA, or his or her designee, to approve or deny funding without limitation on funding amount per project or program, for projects or programs consistent with the Plan; and to execute grant agreements and contracts and amendments thereto to disburse funds for such projects or programs; and to perform all acts and to do all things necessary and convenient to facilitate the implementation of such agreements?

FISCAL IMPACT

The adoption of the Plan will allow DFA to use monies from the Fund in accordance with the proposed funding distribution for FY 2020-21.

REGIONAL BOARD IMPACT

Eligible projects statewide may be funded by the Fund and will require collaboration and engagement between DFA and Division of Drinking Water Districts and, in some cases, with the Regional Water Quality Control Boards.

STAFF RECOMMENDATION

DFA Staff recommends adoption of the Plan. The adoption of this Plan will allow the State Water Board to responsibly fund projects using the Safe and Affordable Drinking Water Fund.